



NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

National Headquarters

490 L'ENFANT PLAZA, S.W., SUITE 3200

WASHINGTON, DC 20024-2120

(202) 484-6070

Office of President
DONALD N. LEDBETTER

TESTIMONY BY

DONALD N. LEDBETTER, PRESIDENT

NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

BEFORE THE

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, DC

OCTOBER 23, 1985

Mr. Chairman, Members of the Committee: My name is Donald Ledbetter and I am President of the National Association of Postal Supervisors. On behalf of the 44,000 mid-level managers in the U.S. Postal Service, I want to thank you and Chair Mary Rose Oakar for your consistent support for principles which will allow all postal and federal employees now and in the future to retire with dignity. We are pleased to be here today to offer our support for the Ford/Oakar supplemental retirement proposal because in our opinion, it meets most of the concerns expressed by this organization and others earlier this year.

Development of a supplemental retirement plan for postal and federal employees who are covered by Social Security has not been an easy task. The current components of the Civil Service Retirement System have been developed and fine tuned over a sixty five year period and it is unfortunate if not completely disheartening that employee organizations have had to fight to retain those hard won benefits during the last few years. The current political climate in Congress and the country have not made our job easier and have certainly made the job of developing a decent retirement system for future federal and postal employees a difficult task. In the opinion of the National Association of Postal Supervisors, we owe a debt of thanks to you and Representative Oakar for your leadership in the area of federal retirement which is reflected in the proposal before us today.

When NAPS appeared before your Committee in April of this year, we reiterated our strong commitment to a set of principles upon which we believed this debate should center. We stated the supplemental retirement plan should be as comparable with the present Civil Service Retirement system as possible, that contributions made by present and new employees be roughly equal, and finally that the integrity of the present system not be jeopardized. We recognize it would be impossible to replicate the present system due to the nature of Social Security, but we were frankly pleased at the end result from your Committee given the political and fiscal climate facing us today. This does not mean we support every aspect of the Ford/Oakar proposal. It simply means we are pragmatic.

Basically, we have two concerns. First, the flat 1% accrual rate is far less than what is provided under the present system and second, we are very concerned over elimination of retirement credit for unused sick leave. Obviously, in regard to the accrual rate, a lower amount will result in lower benefits. The flat 1% formula will produce an earned annuity of 30% of a high-three average salary after 30 years of service. For a person making a \$30,000 salary who retires at age 62, the annuity will be \$9,000. When combined with Social Security at age 62, it will be about \$3,000 less than the present system.

We have had the opportunity to review the replacement tables provided by your Committee and do know with full employee participation in the thrift plan, the replacement rates are higher than the current system and a portion of the lower annuity can be made up through participation in that thrift plan. However, in a perfect world we believe thrift plan participation and benefits derived from such participation should provide extras in retirement.

But, again, ours is not a perfect world and we recognize there is some evidence which indicates even employees at the lower end of the pay scale participate in so-called 401k plans in the private sector. I believe, however, that participation is based primarily on the tax deferred status of such plans. Given the uncertainties in the present tax reform debate, it is impossible to say whether or not the present tax deferred status will remain, but we certainly hope so.

The elimination of retirement credit for unused sick leave is much more difficult to accept. This organization fought very hard for that provision in the present system because frankly, it makes sense. The vast majority of postal and federal employees do not abuse sick leave. If you accept that premise, an employee who has 2080 hours of unused sick leave has been on the job and working the equivalent of one full year more than an employee who has used all of his or her sick leave. That is far most cost effective in the long run for the employer than having to fill in for an employee who uses up sick leave during the year. Of

course, granting retirement credit for unused sick leave, like anything else in this debate, has a corresponding cost.

Mr. Chairman, we spent some time reviewing the Ford/Oakar proposal and ended up faced with a dilemma that I am sure you and your staff faced -- what benefits do you retain and what benefits do you eliminate to keep costs within a reasonable amount? We are grateful that it is not representatives from OMB or OPM who were making those decisions because if that were the case, little thought would have been given to what is best for employees. The bottom line would have been cost.

The next logical question is whether there are benefits currently contained in the Ford/Oakar proposal that we believe can be eliminated. Is it eliminating unreduced retirement at age 55 with 30 years service, eliminating full cost-of-living protection in retirement, eliminating the high-three average salary computation formula, reducing survivor or disability benefits or reducing the government's match on employee contributions to the thrift plan? At this point we would have to say these benefits are important to our membership and consequently should be retained in the final House package.

One area which has not been specifically addressed, but one which we feel is very important are the costs to the Postal Service. As I understand, the Ford/Oakar proposal assigns each agency an employer cost of 25.5% of payroll which is based on certain actuarial assumptions. If there is a shift upward in those assumptions in future years, the increased amounts will be assigned to the agencies and amortized over a thirty year period.

The Postal Service is not like other agencies of the federal government and cannot ask Congress for increases in its salary and expenses account. We rely totally on postal revenues and in an effort to maintain some type of rate stability figure budgets over a three year period. I would hope your Committee would recognize the unique position of the Postal Service and work out in final language some accommodation that would not adversely impact postal rates in any given year.

I might add, Mr. Chairman, the National Association of Postal Supervisors does not at this time have many members who would be immediately affected by the provisions of a supplemental retirement bill. Our members are usually promoted up through the ranks of craft employee unions and are not hired from the outside. We have learned, however, that in just eight years, the majority of all postal employees will be in this system. So, we think it is vital to design a system that provides a decent retirement income and protection for that income once a person is retired.

We also do not think it would be advantageous to wait to fight another day. No one has a crystal ball to predict what the economy will be in two, four or six years, but is unlikely things will improve. Consequently, we think it is absolutely essential to pass a bill this year.

Mr. Chairman, again we sincerely appreciate all your efforts and the efforts of Representative Oakar. We recognize the difficulties you face and will continue to work with your Committee through the remainder of the legislative process to insure the best possible compromise between the many competing interests involved in this debate. Thank you for this opportunity to express our views on the development of a supplemental retirement bill and we would be happy to answer any questions.